

**Analysis Document - Notice of Proposed Rule-Making -
IB Docket Nos. 02-324 and 96-261 FCC Public Inquiry**

Antecedents

On 10th October 2002, the FCC (Federal Communications Commission) generated a proposal in which includes the possible reforms to the International Settlement System, the International Simple Resale, and the completion of calls in the mobile networks, reforms that will allow to favor the North American consumers.

The proposal of the FCC is framed in the telecommunications sector that has undergone great changes in the last ten years, mainly in which has to do with the competition.

In the countries in developing like Colombia, the monopoly schemes for the benefit of the services of telecommunications have changed towards a competition models, and rules of free access for the enter to markets in most of the services have settled down.

As a result of this process, new communication operators have come into play, the existing companies have improved in their management, and the investment in the sector has been increased, with the consequence to benefit the end users, in terms of tariffs, quality and supply of services

Of another part, there has been a regulating direction of global character with particular developments at level country, which has allowed that the essential services between operators, including naturally the services of interconnection take towards costs.

For the case of Colombia, the competition and the directives generated by the regulating organization have taken to the local and long distance operators to establish prices of oriented traffic termination to costs. On the other hand, the legally settled down operators are themselves affected by the illegal competition of international operators nonauthorized in Colombia who enter traffic to the country and work with a lower structure of costs derived from their noncompliance of the national regulation. This traffic, mainly comes from the United States, in where at the moment the world-wide traffic is being concentrated to send back to third countries

A consequence of the tendency to costs of international traffic rates termination in our country, has been the significant reduction in the originating currency incomes come from the sale termination services in Colombia to foreign carriers. The reduction of incomes has not been able to compensate although the relation of inbound versus outbound traffic has increased of three inbound calls by a relation of five inbound calls by one outbound in the last three years.

Another consequence of the reduction of the originating incomes which come from the international traffic has been that the definition of the originación tariffs of international traffic from Colombia, tends to be made firstly in function of the costs of the outbound traffic, including the termination costs in the outside, because the crossed subsidy for the national consumers has been eliminated who formerly could take control of the originating incomes of the incoming international traffic.

GROWTH OF MOVIL TELEPHONE SYSTEM AND TERMINATION OR ORIGIN COSTS

In spite of the tendency in the fixed networks which agreed between operators termination tariffs oriented to costs, in the last two or three years a significant increase in the termination tariffs has appeared to mobile networks in destinies like Europe, Asia and some South American countries, in which not credit those tariffs are referred costs.

For the case of the European countries, the costs of termination in establishing mobile networks in most of the cases for more than ten years have been surpassing until in 10 times the value of termination in fixed networks. Additionally, the traffic directed to Europe to mobile operators is 30% of the total of the incoming traffic and it represents 67% of the total of the income by termination costs of international traffic for European carriers¹.

The previous has been translated, for the Colombian case, that being a receiving Currency country from developed countries, has become a drawer of currencies to these developed countries financing them with our resources. This situation worsens when the percentage of termination calls in mobile networks grows day to day.

For the previous reasons, we considered that the tariffs oriented to real costs must be applied to the prices which are collected by origin or termination of the traffic in the mobile networks whatever that would be its specific technology.

¹ Telegeography